

LEASE

This indenture of Lease made and entered into this 16<sup>th</sup> day of JULY 1997 by and between F. Paul McConkey, hereinafter called "Lessor" and LOW HALL hereinafter called "Lessee". DBA PREMIER PROPELLER

1. Premises: The Lessor does hereby lease to Lessee and Lessee does hereby take and hire from Lessor that certain space in Penn Plaza Industrial Park located at 1723 Pennsylvania Avenue, Bremerton, Kitsap County, Washington, 98310, as discribed below:

1723 PENNSYLVANIA AVE  
BREMERTON, WA 98337  
BLDG. 1

also see attached exhibit "A"

2. Term: The term of this lease is for a period of

From: SEPT 1 1997

To: AUG 31 1998

or shall be month to month. ☐

Lessor grants and gives to Lessee the right to extend this lease. The option must be exercised by written notice to Lessor at his last known post office address at least sixty (60) days before the expiration of the original term of the lease. Rental for any extended period shall be agreed upon by the parties prior to the beginning of the extended period. In the event that rental is not agreed to before the commencement of the extended period, rental when set shall be retroactive to the beginning of the extended period.

3. Payment of Rent

monthly Base rental rate \$1200.00

receipt of last month's rent \_\_\_\_\_

receipt of security deposit \_\_\_\_\_

TOTAL payment \_\_\_\_\_

Lessee agrees to pay the base rent for the premises without notice, or demand and without any offset or deduction

whatsoever. These payments shall be payable in advance of the first day of each calendar month.

### Adjusted Base Rent

The Base Rent set forth above shall be increased annually on January 1. This increase will be based on the United States Department of Labor Index, bureau of Labor Statistics Consumer Price Index for all Urban Consumers, Seattle, subgroup "All Items" (1967 = 100). Since publication of the Index is delayed, the Index for three (3) months prior to January 1 will be used for calculating annual increases. For example, an annual increase on January 1, 1993 will be obtained by dividing the Index for October 1, 1992 by the Index for October 1991. This percentage increase will be applied to the present base rent. The "Commencement date" shall mean the beginning date upon which a 12 month period of adjustment is based. The Adjustment date is a date 12 months later than the Commencement date and is the date when the BASE rent is escalated.

Your "Commencement date" is Jan 1, 19 98. Your Adjustment date will be every 12 months later.

If the Index goes down, the base rent will not be decreased for that period. When the Base Rent payable as of each Adjustment Date is determined, Lessor shall give Lessee written notice of such adjusted Base Rent and the manner in which it was computed. The Base Rent as so adjusted from time to time shall be the "Base Rent" for all purposes under this Lease.

### Interest and Late Charges

If Lessee fails to pay when due any Rent or other amounts or charges which Lessee is obligated to pay under the terms of this Lease, the unpaid amounts shall bear interest at the rate of one percent (1%) per month. Lessee acknowledges that the late payment of any Rent will cause lessor to lose the use of that money and incur costs and expenses not contemplated under this Lease, the exact amount of which is difficult to ascertain. Therefore, in addition to interest, if any such installment is not received by Lessor within ten (10) days from due date, Lessee shall pay Lessor a late charge of 20% of the monthly rental rate or 20 dollars, whichever is the smaller. Such payment is for handling and administrative charge and Lessee agrees that this late charge represents a reasonable estimate of such costs and expenses and is fair compensation to Lessor for the loss suffered from such nonpayment. Acceptance of any interest or late charge shall not constitute a waiver of Lessor's default with respect to such nonpayment by Tenant nor prevent Lessor from exercising any other rights or remedies available to Lessor under this Lease.



4. Real Estate Taxes: Lessor shall pay the necessary costs of real property taxes. Lessor shall be responsible for the maintenance and repair of the roof, outside walls, and foundation of the leased premises, and shall keep and maintain the blacktop which is used for entry to the premises and for parking in good repair. Lessee shall be entitled to use the blacktop area for the purpose of travel by their customers and parking by them, in common with other tenants of lessor's property.

Lessee shall be responsible for the maintenance of the interior of said leased premises and shall do any and all redecorations at their sole costs and shall maintain the interior of the premises in a neat and clean condition and a reasonable state of repair during the term of this lease or its extension.

#### 5. Insurance:

Use; Rate. Lessee shall not do anything in or about the Premises which will in any way tend to increase insurance rates paid by Lessor on policies of liability or casualty insurance maintained with respect to the Building. In no event shall Lessee carry on any activities which would invalidate any insurance coverage maintained by Lessor.

Liability Insurance. Lessor shall during the Lease Term, at its sole expense, maintain in full force a policy or policies of comprehensive liability insurance issued by one or more insurance carriers, insuring against liability for injury to or death of persons and loss of or damage to property occurring in or on the Premises and any portion of the common area which is subject to Lessor's exclusive control. Said liability insurance shall be in an amount not less than \$500,000.00 combined single limit for bodily and personal injury and property damage.

Worker's Compensation Insurance. Lessor shall at all times maintain Worker's Compensation Insurance in compliance with Washington law.

Casualty Insurance. Lessor shall pay for and shall maintain in full force and effect during the term of this lease a standard form policy or policies of fire and extended coverage with standard form of extended coverage endorsement covering all exterior glass, whether plate or otherwise, and all interior glass and stock in trade, trade fixtures, equipment, tenant improvements and other personal property located in the Premises and used by Lessor in connection with its business.

Lessor as Additional Insured. Lessor shall be added as an additional insured to the insurance policies. Lessee shall furnish Lessor with copies of the insurance policies and certificates naming Lessor as an additional insured. The insurance policies also shall provide that they may not be cancelled or terminated without thirty (30) days prior written notice to Lessor.

Compliance with Regulations. Lessor shall, at its own

expense, comply with all requirements, including installation of fire extinguishers, or automatic dry chemical extinguishing systems, of the insurance underwriters or any governmental authority having jurisdiction thereover, necessary for the maintenance of reasonable fire and extended insurance for the Building.

Waiver or Subrogation. Lessor and Lessee each releases and relieves the other and waives its entire right of recovery against the other for loss or damage arising out of or incident to the perils covered by fire and extended coverage and liability insurance endorsements approved for use in the State of Washington which occur in, on or about the Premises, whether caused by the negligence of either party, their agents, employers or otherwise. Each party shall obtain from its insurers provisions permitting waiver of any claim against the other party for loss or damage within the scope of the above insurance.

General Requirements. All policies of insurance required to be carried hereunder by Lessor shall be written by companies licensed to do business in Washington.

6. Utilities and Permits: Lessee shall pay all utilities which are separately metered or can be attributed to their use. This shall include water, electricity, natural gas, and telephone. Heating of the interior shall be the sole responsibility of the Lessee.

Lessee shall pay all fees and taxes due any governmental agency the reason of operating a business on said leased premises and shall pay personal property taxes on any personal property which Lessee may maintain in the leased premises.

7. Lessee's Use of Premises: Lessee shall use the Premises solely for

PROPELLER Repair

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in a manner that is not offensive to Lessor, and no other purpose. Lessee shall not use or occupy the Premises in violation of law or any covenant, condition or restriction affecting the Building or Project or the certificate of occupancy issued for the Building or Project, and shall, upon notice from Lessor, immediately discontinue any use of the Premises which is declared by any governmental authority having jurisdiction to be a violation of law or the certificate of occupancy. Lessee, at Lessee's own cost and expense, shall comply with all laws, ordinances, regulations, rules and/or any directions of any governmental agencies or authorities having jurisdiction which shall, by reason of the nature of Lessee's use or occupancy of the Premises, impose any duty upon Lessee or Lessor with respect to the



Premises or its use or occupation. A judgment of any court of competent jurisdiction, or the admission by Lessee in any action or proceeding against Lessee that Lessee has violated any such laws, ordinances, regulations, rules and/or directions in the use of the Premises shall be deemed to be a conclusive determination of that fact as between Lessor and Lessee. Lessor shall not be responsible for any violation of said rules and regulations by other Lessee or occupants of the Building or Project. Lessee shall not conduct any activity in the building or premises to produce Hazardous Material which can not be stored, collected, and disposed of in compliance with all Government Agency regulations. Lessee agrees to hold Lessor harmless from any fines, penalties, or clean up costs levied by any Governmental Agency for the production, use, or disposal of Hazardous Material.

8. Security Deposit: Lessee agrees to deposit with Lessor a Security Deposit of \$ \_\_\_\_\_ upon execution of this Lease, as security for Lessee's faithful performance of its obligations under this Lease. Lessor and Lessee agree that the Security Deposit may be commingled with funds of Lessor and Lessor shall have no obligation or liability for payment of interest on such deposit.

9. Surrender of Premises: Lessee shall peaceably surrender the premises to Lessor on the expiration date of this lease, in broom-clean condition and in as good or better condition than when Lessee took possession. If Lessee abandons or surrenders the premises, any of Lessee's property left on the premises shall be deemed to be abandoned, and, at Lessor's option, title shall pass to Lessor under this lease. Any cost of removal of Lessee's property by Lessor shall be for the account of Lessee.

10. Sign Control: Lessee shall not affix, paint, erect or inscribe any sign on the outside of the buildings without written permission of the Lessor. Lessor has designated a certain size and brand of letters allowed on the building. If Lessee desires such a sign it will be the Lessee's sole responsibility and cost to affix such a sign.

11. Assignments and Subletting: Lessee shall not have the right at any time during the original term of this lease or any extension or renewal thereof, to assign this lease or to sublet the whole or any portion thereof without the written consent of Lessor. In the event that Lessor consent to the subletting of said premises, such subletting and acceptance by Lessor of any rent or other sum of money from any sublessee shall not release Lessee from any of its obligations under this lease.

12. Indemnification: Lessee shall indemnify and hold harmless the Lessors from any and all liabilities, penalties, damages, expenses and judgment by reason of any injury or

claim of injury to person or property of any nature and howsoever caused, arising out of the use, occupation and contract of the demised premises, or the streets, alleys and sidewalks adjacent thereto, by Lessee at any time during the demised term, including those resulting from any work in connection with alterations, changes, new construction or demolition. Lessee shall keep in full force and effect such insurance policies covering liability as will fully protect Lessor and Lessee against claims or any and all persons for personal injury, death or property damage occurring in, on or about the demised premises.

13. Improvements, Alterations and Changes: Lessee shall keep and maintain the premises by redecorating the interior as needed during the term of this lease, but shall have no right to make any major alterations, structural changes to the building situated upon the leased real property without first having obtained in writing the consent of the Lessor to any such improvements, alterations and/or changes and if such is given, such changes and alterations shall be done at the sole expense of the Lessee and shall be in accordance with whatever building code or regulation is in effect by any government or lawful authority at the time.

14. Attorneys' Fees: If Lessee or Lessor shall bring any action for any relief against the other, declaratory or otherwise, arising out of this lease, including any suit by Lessor for the recovery of rent or possession of the premises, the prevailing party shall be entitled to an award of its reasonable attorneys' fees and costs. Such fees and costs shall include those fees and costs incurred at trial, on appeal, or in any bankruptcy proceeding.

15. Condemnation: In the event the premises are taken by any lawful government authority by exercise of the right of eminent domain, this lease shall terminate and Lessee shall have no right to share in the award or compensation paid therefor the value of the land and improvements, but shall have the right only to negotiate for their loss of use of the premises for the balance of any term remaining with such condemning authority.

16. Modifications and Changes: This lease shall not be changed orally, but only by agreement in writing signed by both parties thereto.

17. Binding Covenants: All of the covenants, agreements, terms, conditions, provisions and undertakings in this lease, or any renewals thereof contained, shall extend to and be binding upon the heirs, executors, administrators, successors and assigns of the respective parties hereto, the same as if they were in every case named and expressed and that the same shall be construed as covenants running with the land,

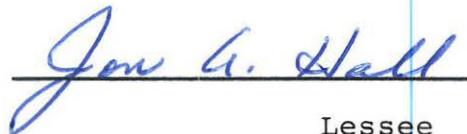


and wherever in this lease reference is made to either of the parties hereto, it shall be held to include and apply also whenever and wherever application to the heirs, executors, administrators, personal representatives, successors and assigns of such party, the same as if in each and every case so expressed.

IN WITNESS WHEREOF, the parties have executed this lease in duplicate this 16<sup>th</sup> day of July 1997.



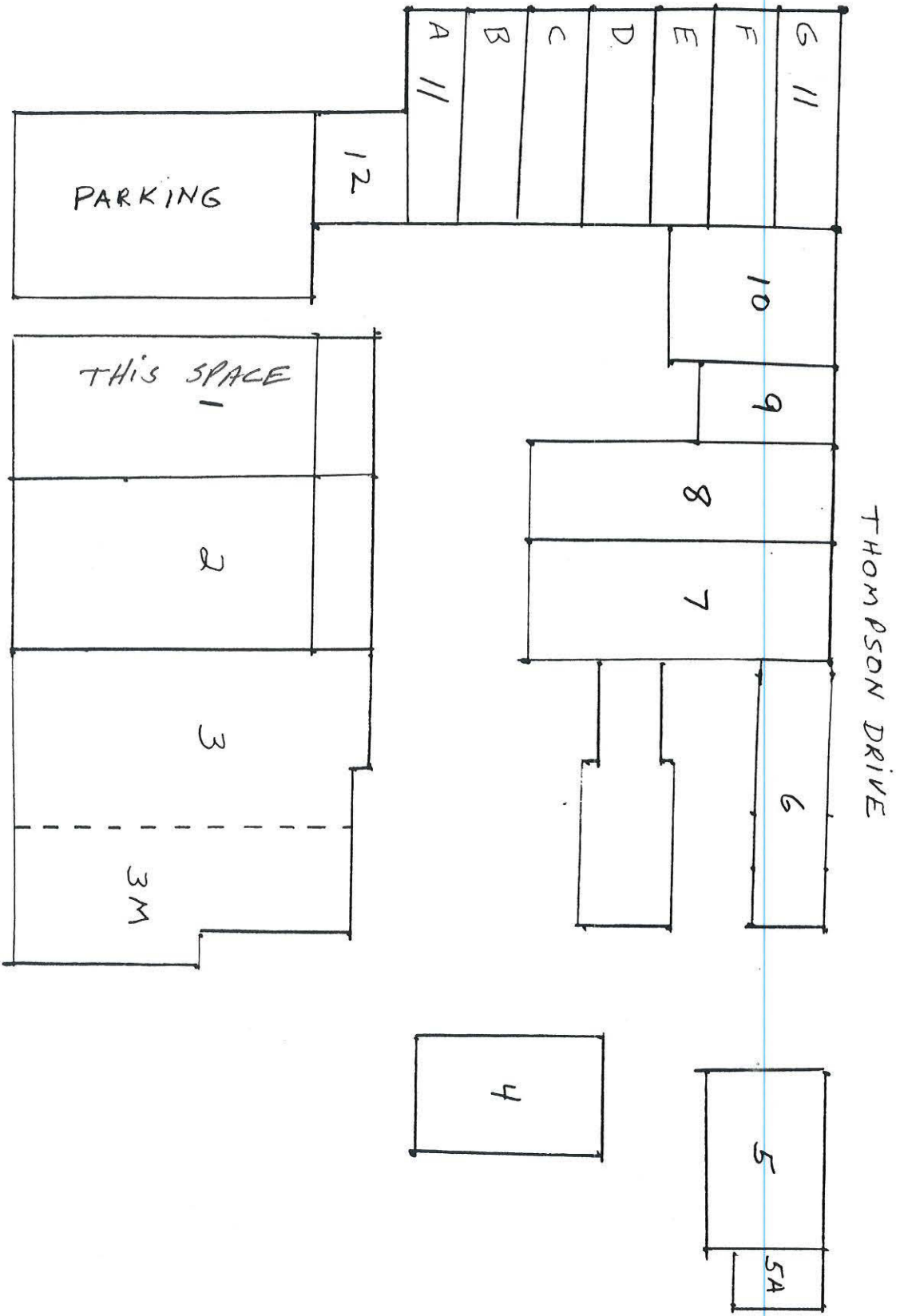
Paul McConkey Lessor



Lessee

EXHIBIT "A"

PENNSLYVANIA AVE



LLF